

January 21, 2013

SENATE EDUCATION

EXHIBIT NO. 1

DATE 1/21/13

SB 25

To: Senate Education Committee

From: Denise Juneau, Superintendent of Public Instruction

Subject: Testimony on Senate Bill 25

Good afternoon. I am State Superintendent of Public Instruction Denise Juneau.

Today, with Senator Jergeson's help, I am bringing forward SB 25, a proposal to:

- Increase the mileage reimbursement rates for pupil transportation by \$18 million
- Provide \$9 million property tax relief annually for school district property taxpayers; and
- Provide greater equalization in our school funding formula.

The state's definition of a basic system of free quality public elementary and high schools includes "transportation of students to and from school." As you know, we have built-in inflators for some areas of state support for schools (i.e., the basic and per-ANB entitlements) while funding for other areas, such as transportation, remain stagnant.

This afternoon, you will hear two bills from the Office of Public Instruction, requesting that all the components of state support for school district general fund and transportation budgets be considered this session, not just the basic and per-ANB entitlements.

So why do we need SB 25?

School boards have felt the crunch of rising gas prices for transporting students to and from school over the past few years. District budgets for pupil transportation increased by \$27.5M from 2004 to 2012. That's a 46% increase in eight years - and the increase was due primarily to increases in fuel prices.

So, who paid for these cost increases?

Two percent of the increase was paid from state sources, another two percent was paid from the county transportation levy, and the remaining 96% was paid by local property taxpayers.

We have provided you with a chart that shows the shift in "who pays" for pupil transportation from 1994 to 2013. In 1994, the split among state/county/district shares was 25% state, 25% county and 50% district. In 2013, that split is 15% state, 15% county, and 70% district.

The Montana Office of Public Instruction provides vision, advocacy, support, and leadership for schools and communities to ensure that all students meet today's challenges and tomorrow's opportunities.

With your support, SB 25 will restore the balance to 25% state, 25% county, and 50% district. As a result, it will provide relief to local property taxpayers and provide greater equalization in our system for funding public schools.

What's the solution?

As we looked for a way to address both rising fuel costs and the increased burden on local property taxpayers, we chose to tie the increase in the mileage reimbursement rates to the oil and natural gas monies that are retained by the state as a result of last session's SB 329.

SB 329 limited the amount of oil and natural gas production taxes that may be distributed to an individual school district. The limit is 130% of a school district's maximum general fund budget. In FY 2012, the state retained \$13.355 million of oil and natural gas production taxes from ten school districts as a result of this new limitation (20-9-310(1), MCA).

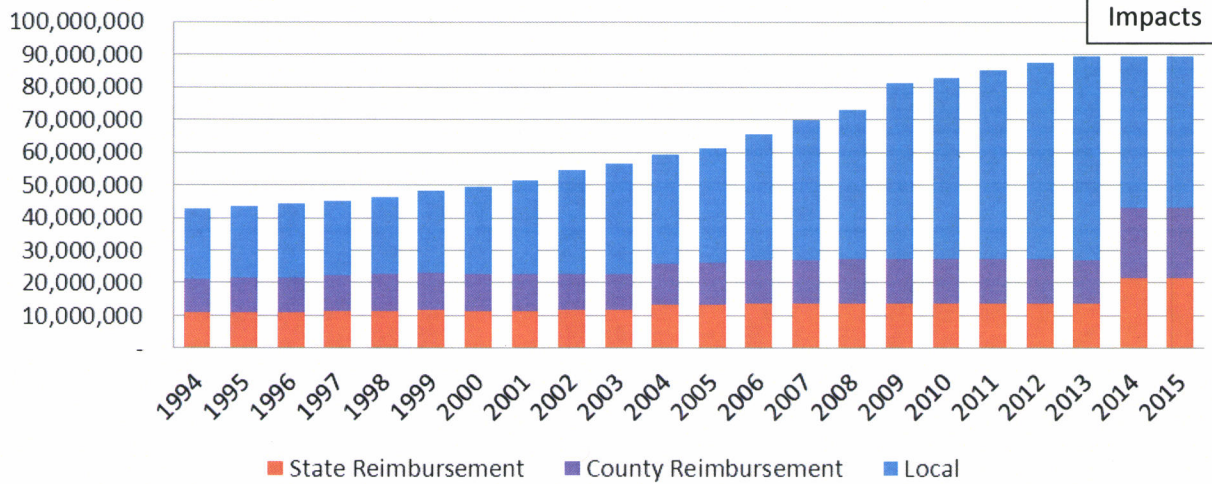
Of the oil and gas monies that are retained by the state, 70% - or about \$9M - are deposited in the state guarantee account and are used to reduce state general fund support for schools. The state can expect to continue to allocate at least \$9 million annually to the guarantee account on an on-going basis under the provisions of 20-9-310, MCA.

In Senate Bill 25, we propose to use this oil and gas money for oil and gas costs at the school level. This bill proposes to redirect this oil and gas money back into state support for pupil transportation. By doing so, we increase the state share of pupil transportation costs and reduce the property tax burden on local property taxpayers.

I urge your support of this proposal to increase the mileage rates for pupil transportation. By passing this bill, you will help maintain the integrity of our basic system of free quality public schools, provide property tax relief, and improve the equalization of our school funding system.

Thank you.

School District Transportation Fund Revenues 1994 - 2013 (Actuals) 2014 - 2015 (Estimated)



Oil and Natural Gas Production Taxes Retained by the State

			FY 2012	FY 2012
School			AMOUNT	AMOUNT
District	School District	130% Maximum	AMOUNT	RETAINED BY
Number	Description	Budget	DISTRIBUTED	STATE
244	Baker K-12 Schools	4,093,281.83	4,093,281.23	3,775,621.97
256	Plevna K-12 Schools	1,165,097.49	1,165,097.49	470,898.44
746	Sidney HS	3,974,480.78	3,974,480.78	1,227,611.71
748	Savage HS	675,584.74	675,584.74	748,591.14
749	Brorson Elementary	102,658.23	102,658.23	538,799.95
750	Fairview Elementary	1,443,518.51	1,443,518.51	20,903.92
754	Rau Elementary	529,568.65	529,568.65	134,924.35
768	Lambert Elementary	616,742.97	616,742.97	3,129,678.04
769	Lambert HS	656,657.14	656,657.14	3,089,763.63
819	Westby K-12 Schools	1,054,011.91	1,054,011.91	218,913.02
TOTAL		14,311,602.25	14,311,601.65	13,355,706.17